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C O N F I D E N T I A L SECTION 01 OF 02 ULAANBAATAR 000053

SIPDIS

STATE FOR EAP/CM, DRL;
TREASURY FOR MICHAEL HIRSON;
COMMERCE FOR ZHEN GONG-CROSS;

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SUBJECT: PARTISAN FUNDRAISING NETWORKS

REF: 08 UB 0355

Classified By: Political Officer Dan Rakove for reasons 1.4 (b) and (d)

11. (C) SUMMARY: The General Election Commission's (GEC) documentation of political contributions for the 2008 parliamentary election offers insight into the commercial sector and the types of individuals who support each political party. The Mongolian People's Revolutionary Party (MPRP) appears to draw a large proportion of funding from undocumented and consequently illegal sources. The Democratic Party (DP) appears transparent in comparison, and draws from a much broader base comprised largely of individuals. The distinct absence of mining interests in the public contribution records suggests that this sector is providing funds to politicians in secret, and primarily to the Mongolian People's Revolutionary Party (MPRP). END SUMMARY

Background

12. (C) Although a descendent of the pre-1990 Communist Party, the MPRP's policies differ little from those of the more recently emerged DP. Furthermore, with both parties taking part in a coalition/unity government in Parliament, it is often unclear where the fissure lies between them. One way to distinguish the parties is to examine their respective funding sources. Using company descriptions provided by the General Authority of State Registration, GEC contribution records for the 2008 Parliamentary election offer insight into the networks of individuals and corporate supporters behind each organization.

13. (U) The GEC requires that all personal donations of 200,000 Tugrik (MNT) (170 USD) or more and corporate donations of 500,000 MNT (430 USD) or more be reported by the recipient parties. For the purpose of this cable, these are classified as large donations. Small donors who do not meet this threshold are not reported by name, although their contributions are recorded. The maximum allowed contributions are 1,000,000 MNT (860 USD) for individuals and 3,000,000 MNT for corporations (2,600 USD). Foreigners, minors, debtors, NGOs, religious organizations and trade unions are all prohibited from making political contributions.

MPRP Contributions

14. (SBU) The MPRP reported approximately one billion MNT (800,000 USD) in donations to support 74 parliamentary candidates for the 2008 election. Twenty percent of publicly documented donations were from large donors. Of these sizable contributions, 70 percent came from individuals and 30 percent from 23 companies. Many of these businesses engage simultaneously in a number of industries, including most prominently food and beverage sales (nine), as well as tourism (three). The largest single source was the pharmaceutical and cosmetics producer Munukh, which provided 9,000,000 MNT (8,000 USD). It appears to have circumvented the maximum contribution limit by packaging this into separate contributions from three of its subsidiaries.

15. (SBU) The frequency of donations from food and beverage retailers, according to some observers, arises from the common impulse to avoid fines for selling liquor in the midst of periodic prohibitions. Similarly many politicians are engaged in corporations which sell and distribute sales. Ten of the entities contributing to the MPRP sell alcohol products at bars, snooker parlors, night clubs, or stores. As widespread alcohol abuse is blamed for violence, traffic accidents and other social ills, authorities forbid its sale after midnight as well as on certain days. The law also bans advertisements for alcoholic products.

16. (C) Nonetheless, as this is one of the most profitable trades, alcohol distributors are known to bribe police officials in return for impunity. It appears that they also seek to influence the legislative process through

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contributions to the MPRP. Nyamdavaa, General Secretary of Coordination for the Committee on Crime Prevention at the Ministry of Justice and Home Affairs, who has looked into alcohol abuse in his tenure, confirmed that alcohol interests have significant political sway. Wholesalers are the other set of large contributors, reflecting corporate interest in customs policy.

17. (C) The MPRP reported one billion MNT (USD 800,000) in contributions for the 2008 election cycle. This is five billion MNT short of the DP's coincident fundraising for a comparable number of candidates. More telling, post,s sources estimated that the minimum cost per MPRP member to run in 2008 was at least USD 150,000. With 76 seats up for grabs, minimum election costs for the MPRP may have easily reached USD 11.4 million, suggesting at least a USD 10 million shortfall in reported funds. There is strong reason to believe that the MPRP is relatively more reliant upon unregistered contributions than the DP. Under the table lobbying from mining interests may explain this gap. Although this sector accounts for more than 20 percent of GDP, no contribution from them is documented to any party. Additionally, those wishing to donate more than the maximum legal amounts, or entities prohibited by law from influencing elections may play a role. As these unregistered contributions are likely to be larger in denomination, the estimated 20 percent reliance of the MPRP upon large contributors is a low number. The Party's dependence upon unregistered, large contributors makes it institutionally unlikely to support election transparency and perhaps money laundering reforms.

18. (C) Another factor may be that many MRPR candidates (and some DP ones, too) financed their own campaigns. For example, as reported reftel, the two MPRP candidates, both with business ties, paid for all expenses associated with their respective campaigns. There costs were estimated to be about USD 150,000 per candidate.

Profile of DP Contributions

¶9. (U) The DP reported approximately 6 billion MNT (USD 5 million) in donations to support 76 candidates for the 2008 election. Three percent were from large donors. Of these sizable contributions, 93 percent came from individuals, and seven percent came from five companies engaged in wholesale (three), grain production (one) and auto repair (one).

¶10. (SBU) The prevalence of individual contributors among large donors implies the Democratic Party has broader grassroots support. The fact that an estimated 97 percent of recorded donations came from small donors supports this. Although the extent of DP contribution underreporting is unclear, the implied average funding from the documented donations of 80 million MNT (USD 70,000) per candidate appears realistic, particularly in relation to the comparable MPRP figure of 13 million MNT (USD 11,000) per Parliamentary hopeful.
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